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To the shareholders . . .

I am pleased to present to you the interim report of our Company's operations for the six-month period ending February 28, 1979.

Revenue and earnings before extraordinary items were \$48,823,044 and \$1,710,636 respectively. This represents an increase over the corresponding period last year of 16.3% in revenue and 11.0% in earnings before extraordinary items. The sale of our medical and surgical supply division was completed on March 22, 1979 and was effective March 1, 1979. As previously reported, this divestiture resulted in an extraordinary loss, net of income taxes, of \$2,473,500.

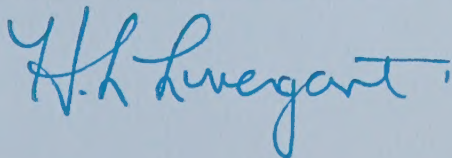
Earnings before extraordinary items per Class A share were 39½ cents and per common share were 37 cents as compared to 38½ cents per Class A share and 36 cents per common share for the same period last year. The average number of Class A shares and common shares increased by 9.4% over the similar period last year. This was a result of the issue of additional shares for acquisitions and on the exercise of warrants and options. As at February 28, 1979, warrants (which expire May 15, 1979) to purchase 148,300 Class A shares and 148,300 common shares were still outstanding.

As previously reported, our wholly owned subsidiary, Medco Centers (Mississippi), Inc. has acquired four nursing homes in the state of Mississippi. The public hearings for the transfer of the Parkland nursing homes in Alberta have now been completed and we expect to finalize the purchase of the nursing home assets of Parkland Nursing Homes, Ltd. shortly.

Effective April 1, 1979, nursing home rates in Ontario and Saskatchewan were increased. These increases indicate Governments' recognition of the importance of skilled nursing centres and their continued support for this area of health care.

The Directors at their meeting on April 23, 1979, declared an ordinary dividend payable on May 15, 1979, on the Class A shares and the common shares of 5 cents per share. Together with the preferential dividend declared on January 15, 1979, the dividends to be paid on May 15, 1979, to holders of record at the close of business on May 4, 1979, will be 7½ cents per Class A share and 5 cents per common share.

I am confident that our expanded base of operations will result in higher earnings for the second half. The Company's prospects continue to look encouraging.



Harold L. Livergant
Chairman and President

April 24, 1979

EXTENDICARE LTD.



INTERIM FINANCIAL REPORT

FEBRUARY 28, 1979

ONE YONGE STREET, TORONTO

EXTENDICARE LTD. and subsidiary companies

Financial Highlights

Consolidated Statement of Earnings

(Unaudited)

	Six months ended February 28	
	1979	1978
Revenue		
Skilled nursing centres	\$30,753,239	\$25,414,187
Medical, surgical, pharmaceutical supplies and equipment	12,644,569	13,013,000
Diagnostic centres and other	5,425,236	3,550,751
	<u>48,823,044</u>	<u>41,977,938</u>
Costs and expenses		
Operating	38,424,822	33,777,615
Administrative and general	3,868,553	2,341,524
Interest on non-current liabilities	1,963,818	1,775,189
Depreciation	1,030,568	893,556
Amortization of deferred charges and goodwill	143,749	134,304
	<u>45,431,510</u>	<u>38,922,188</u>
Earnings before the undernoted	3,391,534	3,055,750
Income taxes	1,665,698	1,475,320
Minority interest	15,200	39,009
Earnings before extraordinary items	1,710,636	1,541,421
Provision for loss on sale of division net of income tax reductions of \$1,090,000	2,473,500	
Net earnings (loss)	<u>\$ (762,864)</u>	<u>\$ 1,541,421</u>

Earnings (loss) per share (see note)

Before extraordinary items		
Class A	39½¢	38½¢
Common	37¢	36¢
After extraordinary items		
Class A	(15½)¢	38½¢
Common	(18)¢	36¢
Average number of shares outstanding (see note)		
Class A	2,263,527	2,055,053
Common	2,234,173	2,055,053

Consolidated Statement of Changes in Financial Position

(Unaudited)

	Six months ended February 28	
	1979	1978
Working capital derived from		
Operations	\$ 2,910,220	\$ 2,801,801
Issue of shares		
For cash on exercise of stock options	274,162	15,475
On conversion of notes		59,895
Non-current liabilities assumed	2,692,631	
Proceeds from sale of assets		137,000
	<u>5,877,013</u>	<u>3,014,171</u>
Working capital applied to		
Additions to property and equipment	3,901,579	1,111,377
Dividends	518,102	328,781
Reductions in non-current liabilities	977,337	1,183,644
Reduction in working capital on disposition of division	1,387,202	
Other items	675,338	(164,022)
	<u>7,459,558</u>	<u>2,459,780</u>
Increase (decrease) in working capital	(1,582,545)	554,391
Working capital at beginning of period	3,144,868	1,328,746
Working capital at end of period	<u>\$ 1,562,323</u>	<u>\$ 1,883,137</u>

NOTE:

Earnings per share and average number of shares outstanding for the six months ended February 28, 1978 have been restated to reflect the subdivision of each of the previously issued and outstanding common shares into one Class A share and one common share on the same basis as the current period.

Although a preferential dividend on the Class A shares of 7½¢ per share, to be paid in three quarterly installments of 2½¢ each on February 15, May 15 and August 15 of this year has been declared, earnings per share have been calculated to reflect the preferential dividend paid during the period.

Fully diluted earnings (loss) per share, calculated on the basis of exercising all warrants and options at the beginning of the period, are set out below:

	1979	1978
Before extraordinary items		
Class A	36½¢	35½¢
Common	34¢	33¢
After extraordinary items		
Class A	(13½)¢	35½¢
Common	(16)¢	33¢